



FSA “Lo-Doc” Farm Loans

Frequently Asked Questions (FAQ’s)

What is a Lo-Doc Loan?

A Lo-Doc loan is a farm loan from FSA that has minimal paperwork or “low documentation”. They are made either by:

- a local bank, credit union, or farm credit institution. The loan is then guaranteed or backed-up by FSA; or
- FSA directly to a farmer.

How much can be borrowed?

To be considered a Lo-Doc loan and benefit from this streamlined process, the amount must be \$125,000 or less for guaranteed loans, \$50,000 or less for direct loans.

What can Lo-Doc loans be used for?

Any “operating” purpose. Operating purposes include:

- crop inputs like seed, fertilizer, chemicals, rent, custom work, feed, etc., and;
- livestock, equipment, and real estate improvements.

What collateral is needed?

At a minimum, production or purchase money security interest in the crop financed or property purchased. FSA usually requires additional collateral as needed including other assets owned by the applicant.

How long is the loan for?

- For guaranteed loans, the lender can choose to make a one-year loan for annual needs, a five-year revolving line of credit, or a 7 year loan.
- For direct loans, FSA makes one-year loans for crop and other annual operating needs, and 7 year loans for other farm operating loan purposes.

What is the interest rate?

- Guaranteed loan interest rates are negotiated between the farmer and the lender. If the farmer's cash flow shows a need, FSA can subsidize up to 4% of the interest on the loan. That is known as "interest assistance". FSA charges a one-time 1% fee for most guaranteed loans without interest assistance.
- The interest rate for direct loans changes monthly, but the fixed rate is currently 3.50%. Rates are available on-line at <http://www.fsa.usda.gov/wi/lending>.

What is needed to apply for a Lo-Doc Loan?

- For guaranteed loans, the lender completes the paperwork. It consists of:
 1. A simple application form (form 1980-25 or 1980-28)
 2. Balance sheet and cash flow projection.
 3. Credit report.
 4. Narrative about the operation, location of the farm, and environmental and entity information, if applicable.

FSA Preferred Lenders often enjoy even less paperwork.

- For direct loans:
 1. A simple application form (form 410-1)
 2. Credit report fee of between \$5 and \$10.
 3. Balance sheet and cash flow projection.
 4. Environmental and entity information, if applicable.

Forms for guaranteed and direct loans are available on the web at <http://www.fsa.usda.gov/wi/lending>

What other eligibility requirements apply?

Applicants must show that they can repay the loan requested, as well as all other debts. Eligibility is also limited to applicants whose credit needs cannot be met elsewhere. Other requirements do apply. Contact your local FSA office for more details.

Is there money available now?

There is currently money available for both guaranteed and direct Lo-Doc loans.

Who can you contact?

For guaranteed loans, farmers should contact their local lender. Almost all banks, credit unions, and farm credit institutions in Wisconsin can participate in the FSA guaranteed loan program. FSA offices also maintain a list of local lenders that participate in FSA loan programs.

For direct loans, farmers should contact a loan office at their local FSA office. Offices can be located on the web at <http://offices.usda.gov> or in the phone book.

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